97-84024-17

County, Albert John

Co-operation and service

[Philadelphia?]

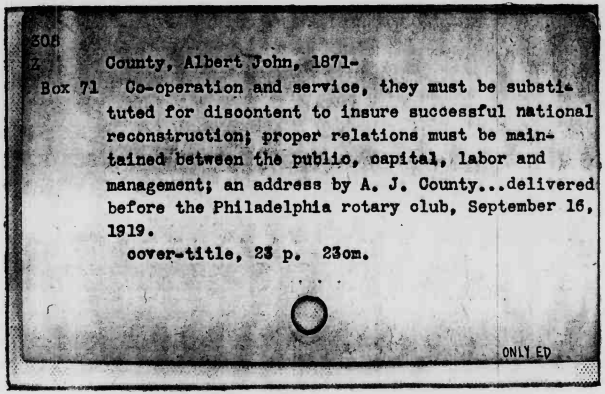
[1919]

97-84024-17
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


308
Z
Box 71
County, Albert John, 1871-
Co-operation and service, they must be substituted for discontent to insure successful national reconstruction; proper relations must be maintained between the public, capital, labor and management; an address by A. J. County...delivered before the Philadelphia rotary club, September 16, 1919.
cover-title, 23 p. 23cm.
ONLY ED

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-12-97 INITIALS: PB

TRACKING # : MSH 21668

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

102
308
2
Box. Box 71

CO-OPERATION AND SERVICE

They must be substituted for Discontent to insure successful National Reconstruction

---

Proper Relations Must be Maintained Between the Public, Capital, Labor and Management

---

An Address by

A. J. COUNTY

Vice-President, The Pennsylvania Railroad Company

Delivered before the

PHILADELPHIA ROTARY CLUB

September 16, 1919

18 March 1920 - C. R. W.

CO-OPERATION AND SERVICE

They must be substituted for Discontent to insure successful National Reconstruction

---

An address by

A. J. COUNTY

Vice-President, The Pennsylvania Railroad Company

Delivered before the

PHILADELPHIA ROTARY CLUB

September 16, 1919

I appreciate the opportunity to discuss with you some phases of the present day public questions, about which we are all concerned. The Nation is looking to its leaders to carry out successfully a reconstruction policy to place the Country on a satisfactory peace basis, and establish proper relations between labor, capital and the public, now badly disturbed.

The War's termination and the release of men and the industries from War work, have opened a fluid mass of human nature and ideas that must be properly directed. Reconstruction demands the best service from everyone interested in seeing that conditions are settled on sound principles. The workshop, the office, the home, the Church, and the checkbook demonstrate the great change compared

with pre-War conditions. To forget our War-period co-operative efforts, with their discipline, sacrifices and comradeship, that distinguished all citizens living in cottages or mansions, and for each of us as individuals, or by classes, to work now solely for our selfish ends must be a failure. We must fully understand our personal and public duties, as well as our rights, in this reconstruction period, and in harmonizing labor and capital must apply sound methods rather than rush to immediate compromises that mean the disease will break out again.

THE PUBLIC

We are all feeling the high cost of living, and affected by the disruption of politics and business. Our National debt has been increased from about $1,-200,000,000. in March, 1917, to over $24,000,000,000., on which interest must be earned and paid. Our National Government's ordinary disbursements have increased from about $1,000,000,000. to over $6,-000,000,000. per annum, and we have some responsibility in assisting to reconstruct the biggest part of Europe. Our State and our City expenditures and problems have likewise increased; discontent, propaganda and strikes that would destroy the safeguards of life, liberty, property and the pursuit of happiness, exist on too large a scale; class antagonism and selfishness are being appealed to. Direction of the steam railroads or transit lines, or the police by the National, State or City Governments, have not prevented such industrial dis-

turbances. Production is reduced, prices are high and extravagance prevalent.

Notwithstanding wages are the highest and working hours the lowest in our history, we have forgotten for the moment the patriotism of the War and the spirit of thankfulness which filled us at its conclusion. Rights are insisted upon, discipline and duties forgotten, public and private unrest and dissatisfaction are the features of daily life. Business and capital will soon begin to languish, and profits will disappear because high prices, decreased production, with demands for more pay and less work, and accompanying discontent are barriers to progress.

This noisy picture need not frighten us if we have the moral courage and sagacity to take command of the situation. We can retain the period of prosperity, good wages, and good returns to capital, notwithstanding the wastes of the War, if we fully discuss and settle our difficulties and not dodge them, and can look forward to capital, labor and management co-operating and not fighting each other. For that purpose I suggest the following program for your consideration.

GOVERNMENT SHOULD RELEASE ITS HOLD ON BUSINESS ENTERPRISE

We must begin naturally by wishing the Treaty of Peace and the League of Nations disposed of, consistent with the Constitution and honor of the Country and its obligation to protect civilization,

and then get down to pressing domestic problems. Artificial business and financial barriers must be removed, and natural commercial conditions restored, by having the Government relinquish its control of business enterprises, and stop paying their deficits. Unnecessary War Bureaus and work must be eliminated and the men returned to ordinary avocations to increase production. Then appropriations, National, State and City, for new enterprise must be reduced or deferred until the ordinary wants of the World are reasonably supplied, and taxation decreased.

ADOPTION OF A NATIONAL BUDGET

One of the best methods is the adoption of a National Budget of Expenditures, to teach us to live within our income. Congress through fourteen House Committees and fifteen Senate Committees, has charge of some portion of the Budget, and neither the Executive, the Cabinet Officers nor Congress are held solely responsible for the formulation and limitation of the Nation's Expenditures. The Chief Executive and Department Heads should recommend a yearly Budget of not only Departmental expenditures, but for all new public works, supported by estimates and reports by qualified experts of the proposed economic benefits to the Nation. Such a yearly Budget, when formulated by the Executive, and compared with that of previous years, and the increases or decreases explained, should be fully

reviewed by a proper Budget Committee of the House of Representatives, and the Senate should be invited to co-operate with its Budget Committee, and then the authorized Budget should be fully reviewed on behalf of the Public by a National Auditing Department in which the taxpayers have representatives. The character and extent of taxation and new financing necessary to provide for that Budget should also be submitted. When once adopted after public review, Congress should agree not to increase the expenditure Budget, and should keep the expenditures within the limitations of the Budget, unless increased by unanimous consent of the President and the Senate, as well as the House of Representatives to meet unforeseen emergencies.

LABOR

At present the British Labor Party in its new social order wants the elimination of private capital and private control and the socialization of all industries, and the use of the surplus wealth for the common good, and our radicals are following slowly but surely along the same road. It would not, of course, take long to dissipate the surplus wealth, but whether it would be for the common good is another question. Our United Mine Workers of America are discussing the six hour day and the five day week. The railroad workers are giving some support to the "Plumb Plan" which would compel the Government to buy all the railroads,

and turn them over to labor for operation, but labor would bear no share of the losses. We see a constant disregard of authority, a failure to forget the remarkable inroads labor has made on the earnings of every business, and the labor leaders have largely lost their influence, or it is being badly used.

To obtain reliable labor is our chief responsibility. We realize its place in National reconstruction, and do not begrudge it fair treatment, providing the output justifies it. But strikes, and decreased efficiency, with a high wage scale, have done more than all the profiteers to increase living costs, and coupled with threats against the Government and loss to the public, have blasted confidence in labor's trustworthiness.

What is present day labor? Certainly not the paid tool or drudge of capital, but an aggregation in which most of us are a part—those working with the head as well as those with the hand, and educated in the same schools and colleges with those who represent capital or management. With all the progress that has been made, labor finds itself dissatisfied, and our duty is to analyze its wants and have sympathy with its extending outlook, and realize that it is to the advantage of the Nation that its new and better living standards should be preserved, provided labor is willing to work to sustain them.

The time has come for labor and its responsible leaders, and there are many of them possessed of

good sense, loyalty and ability, to repudiate the disorderly and discontented in the ranks, and free them from those Bolshevists outside of its ranks that are degrading labor, and raise this standard:

"LABOR'S STANDARD

Labor realizes that it is enjoying the best wages and the shortest hours in its experience; it realizes that the whole world is depending upon the United States to finance and largely supply its wants. Our own Country's production, because of war conditions, is much behind its normal consumption. Capital, management and the public may, therefore, rest assured that while labor will insist upon steady employment, and for representation in industry which will enable it to protect good wages, reasonable hours, and working conditions, and prevent lockouts, it will on its part discourage strikes, and encourage increased production on which all of these benefits depend. We will warn our people against extravagance in living, and urge them to work and save against a rainy day, so that ourselves and our families may be protected against sickness or want, and have reasonable recreation, proper housing and education. We will encourage our men to study their work and increase their efficiency, and prepare themselves for promotion and to join the ranks of managers, directors, and owners of industries and securities. In other words, equip ourselves to be equal to our Country's opportunities."

The farmer also has every good reason to join in such a conservative and profitable policy. The real cure for present high prices is regular hard work, increased production, and expenditures only for real necessities until cheaper goods, cheaper food and cheaper capital are available. Labor, management, and capital must become co-partners to serve the public ably and conscientiously, or the public will distrust and finally punish them.

Labor through its bank deposits, building and loan and other associations, its Government Bonds, and its insurance policies has a great hold on this Country's wealth. It has the first call on every dollar earned in this Country to pay its wages, and this call is free from the hazards of business changes and risks which the managers and owners must face. Labor's dividends, in the shape of wages, are paid regardless of other conditions, while the owner has not only the last call on the earnings, but also the danger of having his principal wiped out by business depression or poor management. It has been estimated that seven-eighths of our National income goes to those with incomes of $5,000. or less, and about one-eighth to those with incomes in excess of $5,000. per annum, and the latter in addition are bearing the brunt of our income taxes. Labor and the people with small incomes are, therefore, certainly receiving a proper share of the National income, and if that share is to be increased it must be by better production

and intelligent spending and saving by the general public at large.

The output results require serious consideration. Comparing the Pennsylvania Railroad shops in 1919 with 1917 the output per man does not exceed 60% of what it was before the war, due to labor's indifference, to a reduction of the working day from 10 to 8 hours and abolition of piece work, so that 10 men are required to do the same work that 6 men performed before the war. These results are equally noticeable in other industries, where men are less steady than are our railroad men, and with increased wages this lessened production has had a tremendous influence in increasing the cost of living. Lloyd George, speaking of England's condition with regard to its mines, stated that there were 30,000 more coal miners who were producing 87,000,000 fewer tons of coal than before the war, and that the price had risen from 10 shillings to 26 shillings a ton. He clearly appreciates that the burden falls on the consuming public, of which labor forms the chief part, and that England cannot hold its share of the world's trade on that basis.

Labor Unions must take their share of this responsibility. They must be able to reasonably control their people, and insist upon the continued performance of their contracts, and avoid business disruption while submitting their case to the public or the authorities for review. The reign of capital, or labor, is very short unless supported by public opinion. To give labor proper standing before the

Country, and to give capital the assurance it needs to keep labor employed at good wages, no better steps could be taken than to have Labor Unions regularly Americanized, by being incorporated with a National Charter, and placed within reach of the public and the laws, as are management and capital.

MANAGEMENT

The existence of management is often forgotten. Management may or may not have an ownership in the property. The owners elect the Board of Directors, and the latter select the Officers and Management, and decide the policy of the corporation, and watch the results obtained, if satisfactory, and remove the management if its results are bad. Management is the foundation upon which labor, capital, and service can be utilized with profit to themselves and satisfaction to the public. Unless assured of the sound character and ability of the management to protect the investment and earn a fair return, capital will not go into industrial or transportation undertakings.

In this work of National reconstruction, management has a far reaching responsibility by close conference and personal touch to practice intelligent treatment of labor, as the key to increasing production. Management must not delude itself that its part of the work in this reconstruction period can be performed in an 8 hour day, or that its business is solely to master the efficient production

and distribution of goods. It has become a broad gauge social science for it includes a thorough understanding of human nature. It must point the way for capital and labor to do their part, and must be able to conduct the business of producing and profitably marketing the product, to handle the plant and direct the labor and agencies for that purpose, or fail, and then capital and labor suffer. It must invent processes of expanding and improving that production, of facilitating transportation and eliminating waste of effort and materials.

Management must to a greater extent than before lay the frame-work for steady employment, discipline, co-operation, direction and reward of labor. The employes, while they should not be allowed to control the general conduct of the business, because they neither share its risks nor forego their wages to make good losses, yet ought to be encouraged to acquire a general knowledge of the enterprise, and should be given a voice in the determination of wages, working conditions and other matters directly affecting their own interests and welfare, and by intelligent publicity should be kept advised of the success or failures of the concern. Without such knowledge and voice the intelligent co-operation and loyalty of labor in increased production and marketing of the products cannot be secured fully. Welfare schemes such as pensions, sickness and accident funds, and workmen's compensation are well enough in their way, but there must be a more intimate understanding and associa-

tion with the employes to eliminate the trouble makers and secure co-operation. Foremen and managers' assistants are not always as wise or as sympathetic as they should be, shop and office conditions are not always of the best, waste and destruction of property may exist through ignorance or neglect, and there must be some way to bring out those facts and secure the employes' suggestions for the managers and owners. No matter what the wages or working hours may be, the training and loyalty of a working organization plays a large part in the total volume of production and the quality of the product, that means profit or loss in the race with competitors. Profit sharing or co-partnership or some suitable recognition of the men who have intelligence and ability, and produce improved results, should exist in almost every business where it is possible. Initiative must be encouraged and waste and loss discouraged. Working Councils, the Shop and Plant Committees, consisting of an equal number of men elected by the employes and the managers, seem to be the order of the day to dispose of many individual and collective grievances.

On profit sharing and harmonizing Labor and Capital it will pay you to read Lord Leverhulme's book "The Six Hour Day." Lord Leverhulme made "Sunlight Soap" famous over the world, and works not six but sixteen hours a day to accomplish it. Speaking from forty years' experience and experiments, he claims that profit sharing

plans last for the most about five years, or so long as wages and profits rise. He illustrates his point by showing that as a result of a prosperity sharing and stock distribution, labor was given a voice in the management and control of his works, but when additional branches had to be opened and additional risks taken to extend the business and might reduce profits, he was forced to buy out these shares at a premium, or else stop expansion.

He, therefore, adopted his Co-Partnership Plan under which labor first receives standard wages and working hours, and, if efficient, shares in profits. Co-partnership, he says, can fail only when capital and labor expect too much. Even under co-partnership capital must not expect that labor will cease its demands for high wages, and relinquish its rights to combine in unions, or cease to show disaffection when working conditions create irritation or a feeling of injustice. Equally so co-partnership must not be shipwrecked by labor expecting that capital and management would cease its function to control the business and maintain discipline. His Co-Partnership Plan (the details of which I have not time to deal with but are shown in his book) he believes successful, because both capital and labor assume the proper view, are keener to adopt new methods to produce a larger output and lessen production costs so as to add to profits in which labor and all the co-partners share. This co-partnership couples up loss-sharing with profit sharing, *i. e.*, if profits cease to be earned the

employe suffers equally with capital because he gets no dividend. His Sunlight Soap plants, of course, also have old age pensions and a variety of other incentives to employes, which a very successful firm can continue.

In this Country we have a very substantial beginning with profit sharing plans within the last few years which, however, have not always prevented strikes. What is more significant to my mind, is that several hundred very large industrial concerns have established the plan of electing representatives of employes and employers to sit down and discuss their differences affecting either capital or labor, with a view of securing the interests of both. To show what may be accomplished with employes in some of the industries it would be well worth while reading the book entitled "Man-To-Man," written by John Leitch, of Philadelphia, covering a solution of the labor problem as worked out by the author for twenty large corporations. I would further direct your attention to the action of the British Government in establishing the Whitley System of dealing with labor by district and local committees, first of all in its industrial departments and later in the administrative departments of the civil service, and in connection therewith to note the careful reservations made so that the power to preserve law and order would remain with the Government. The millennium is not yet reached and there is no prescription that will settle finally all labor and capital differences. Human nature

and human selfishness and ambitions would prevent that, but it is equally clear that large concerns should know that they cannot dispose of the labor question without personal contact and conferences with labor, and a discussion of each other's differences and duties.

CAPITAL

In this co-operative work of the World, capital must take its part with the assurance of loyal labor that it will keep its covenants, and must select a progressive management that understands men as well as profits. The investors of the World, now representing men and women in all grades of life, who furnish money for these enterprises either by direct investment or through their savings, insurance, and other institutions, can be relied upon to do their share unless discontent, disorder, unjust taxation, National waste and unfair returns make capital afraid to undertake risks to extend and improve enterprises. Labor and management must realize that Capital has had some severe shocks during the War. Investors have seen the market value of their holdings materially reduced, and many of them have not had any adjustment to meet the increased costs imposed by the War. Nevertheless a sure course for capital to earn a profit depends upon the loyal and intelligent labor directed by experienced and trustworthy management. Therefore, if labor is unfair or management yields to force, investors will, so far as new capital is concerned, rather let their money lie

idle, or go solely into Government bonds or foreign countries, and not risk it as owners of the railroads and industries of this Country, and for their present investments even Government ownership, with all its evils, may become attractive.

FUTURE LABOR RELATIONS ON THE RAILROADS

The War period began with a study by a Wage Board to increase railroad wages to meet War conditions. The report was a reasonable attempt to grapple with a situation that was at the breaking point, but was not satisfactory either to labor or to the Director General. He constituted a new Board on Wages and Working Conditions. The original suggestion of an increase of about $300,000,000. in railroad wages resulted in an increase of practically $1,000,000,000. per annum. This, of course, is a result of War conditions and wages paid in other branches of industry, of establishing the eight hour day, of abolishing piece work, and of standardizing all railroad wages for the whole Country irrespective of the inequality in living conditions. This Board consists of three representatives for labor and three for the railroad management, the Director General having the final decision, and I assume representing the Public. During the war and while wages were increasing, this arrangement has worked satisfactorily. It was largely a concession and not a scientific adjustment period, and the Government

paid the bills, but there can be no doubt that many dangerous situations were averted, and the net result is left for the present adjustment period.

With the prospect of returning the railroads in the near future Congress feels that labor must be well looked after, so in the Cummins Bill, as I understand it, the new Board of Transportation, which will deal with the operative and administrative questions pertaining to the railroads, will have the final decision as to railroad wages and working conditions. Subordinate to it there will be created a Committee on Wages and Working Conditions consisting of eight members, four selected by the Transportation Board from representatives elected by the railroad employes of the Country, and four from representatives selected by the railroad corporations of the Country. Their term of office is four years, and the proposed salary is $4,000. per annum. This Committee is to deal with approximately 2,000,000 employes and with total wages of approximately $3,000,000,000. per annum, having about 68 different grades of various employes, it is easy to see that either the responsibility of this body will be of great magnitude, or it will pass all decisions up to the Transportation Board. I doubt whether this legislative suggestion will command sufficient experience and ability at this low pay and for this short term of office to satisfactorily deal with this great question. A further concession to labor is that in the future all railroad company Boards must have two labor Directors and two

Government Directors in their number. Nothing is said of their qualifications or their duties, and neither labor nor the Government will share the losses or risks of the railroad owners. It is hard to say what benefit will result from two labor Directors sitting on the Board of Directors of a single corporation, as labor, wages and working conditions are not settled by the Boards of Directors of each corporation, but are settled in Washington as a result of joint negotiations with representatives of labor and of the managements of all the railroads. It is equally impossible to see the utility of two Government Directors because railroad revenues, the larger part of railroad expenditures, and, in future, all railroad issues of securities and railroad capital expenditures must be approved by the railroad Transportation Board and the Interstate Commerce Commission. If instead of these four Directors we had for the Pennsylvania Railroad two high class employe representatives and two high class representatives of the management to look after labor questions and first attempt to iron out the differences on this railroad, and then go to the National Committee on Wages and Working Conditions, it might prove a thread to remove misunderstandings and relieve Operating Officers, and relieve the National Committee. Some change in the Legislative method seems essential to deal with the situation satisfactorily. Railroad managers have not been unfriendly to labor but railroad revenues have been so restricted that wage increases could

not be granted for many years. This has produced labor controversies and the introduction of political interference which, of course, means that the expense is thrown upon the Country, because the final conclusions are not reached either through public arbitration or on sound business principles, resulting later in complaints from capital and the public.

WAR WAGE READJUSTMENT

Any intelligent consideration of the future relations between Capital, labor and management must take into account that while we are going through an adjustment of wages to meet the *increase* in the cost of living, a time will come when profits will decline and wages as well as other costs must be readjusted downward, to give the public some relief from the high cost of living. In England the Yorkshire dyeing and finishing industries have had the foresight to do this and the Lancashire allied trades have followed. Last March the Yorkshire dyeing and finishing industry renewed their agreement for a sliding scale to adjust the war wage to either an increase or a decrease in the cost of living. They adopted as a positive standard of real wages a 25% increase over the pre-War wages. The method employed is to take the index figures of the cost of living published in the "Labour Gazette." The sliding scale adopted provides for no reduction in War wages until the index figure has fallen from the present 120% to 107%; in the fall

from 107% to 100% the full margin in the decline of the cost of living is deducted, but from 100% downward the operatives retain one-fourth of the War wage. Therefore, the gain to the workers is that in reductions to meet the changed costs of living, the new standard of total wages is to be at all times 25% over the pre-War standard. Some such plan to adjust wages up and down in accordance with the cost of living is certainly desired as a scientific means of dealing with the question, and as an effective method against controversy which disrupts industry and causes loss of life or property.

CONCLUSION

Now the public, capital, labor and management must realize this. An active period of expansion and finance, business and commerce is before us. The time for the United States to take its place in the markets and financing of the World is here, but will our Government and people be equal to it. They will, if we insist upon suppressing the elements of disorder and discontent, which covet and destroy what others have created by years of toil and saving. Americanism can be our only watch-word and safeguard for all interests to bind us in loyal co-operation. The wage earners, the managements and the owners should not resort to lockouts or strikes while there is a lawful way to protect their interests by appeals to public opinion and the Courts. There is an insistent call to suppress our selfishness and take a

broader view so that prosperity shall not be jeopardized. War wages and shorter hours have not brought entire satisfaction, for "man cannot live by bread alone," and there is need to be specially combined with them the citizen's higher qualities of loyal and conscientious service for the general welfare of the Country and sympathy and appreciation for each other. In their promulgation the Church, the Schools and Colleges can be very helpful in teaching right thinking and action. Then we can secure co-operation, increased production, low living costs and restore that National unity which is being disturbed.

SUMMARY

I summarize this program for reconstruction and to off-set discontent and the high cost of living as follows:—

1. Law and order must first be established. Then co-operation between capital, labor and management, because any disruption of business means loss and suffering to them and to the public.

2. From the Government we require economy in National, State and City disbursements. The Government should release its hold on business enterprises and eradicate the gigantic crop of bureaus produced by the War. Men and money are needed for industrial and agricultural production. The adoption of a National Budget, and the reduction of our National Debt and taxation through savings and stopping of appropriations for

new public works, until the World's ordinary wants are reasonably supplied.

3. From labor we require the Unions should be Nationally incorporated so as to increase their responsibility. Labor is getting a very liberal share of the Country's income and unless production is increased, strikes abolished and settlement made of differences effected after a full review by public opinion instead of by force, we will be threatened by a stoppage to prosperity and must face wage reductions. Unremitting toil for us all is the surest road to peace and prosperity, while indolence and wasteful use of time and money mean famine. Labor should hoist the new standard of co-operation with capital and with management, to continue prosperity.

4. From Management—the link between capital and labor—we require that its ability and intelligence must be exerted for peace between capital and labor, and to that end while insuring fair wages for good work and steady employment, reasonable hours and proper working conditions, it will also establish Conference Boards on which the voice of the worker will be heard in considering anything that affects the working conditions and results of the industry, so as to reduce misunderstandings and losses to both labor and capital. Management must be unremitting in its desire to improve the implements of production and reduce costs so as to supply the wants of the World, and reduce the cost of living.

5. From Capital: That capital representing ownership must put men in charge of their property who understand labor, and will pay for an organization to study the wants and proper aspirations of labor in its employment, and be content to share the profits over a margin sufficient to pay a reasonable return on capital and protect the present and future credit of the enterprise. If some such broad basis as this cannot be worked out, we must look for a period of continued disputes with labor, and the forcing of the Government to own and operate industries which will allow smaller returns to the capitalist, lower wages for the workers, and higher prices and taxes for us all.

6. A practical readjustment basis, or sliding scale, whereby wages may fall as well as rise in accordance with living costs should be provided to avoid lockouts, strikes, suffering and future wasteful interruptions of transportation and industry.

7. Capital, management and labor are like three legs of a stool—no one more important than the other. They must remember that the public always sits on top. Therefore they must co-operate with each other, submit to public opinion, discipline and authority, and perform loyal and conscientious service for the general welfare of the Country.

Finally, we cannot do better now than ask labor, capital, management and the public to adopt the motto of the Rotary Clubs:—

"Service above self."

"He profits most who serves best."

21668

END OF
TITLE